

# HOUSE BILL REPORT

## E2SHB 2518

---

---

### As Passed Legislature

**Title:** An act relating to the safe and efficient transmission and distribution of natural gas.

**Brief Description:** Concerning the safe and efficient transmission and distribution of natural gas.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Shewmake, Ybarra, Boehnke, Tarleton, Mead, Fitzgibbon, Lekanoff, Ramel, Callan, Peterson, Slatter, Davis, Doglio, Pollet and Cody).

**Brief History:**

**Committee Activity:**

Environment & Energy: 1/21/20, 1/30/20 [DPS];

Appropriations: 2/10/20, 2/11/20 [DP2S(w/o sub ENVI)].

**Floor Activity:**

Passed House: 2/16/20, 87-8.

Passed Senate: 3/5/20, 41-7.

Passed Legislature.

**Brief Summary of Engrossed Second Substitute Bill**

- Requires the Utilities and Transportation Commission (UTC) to provide conditions concerning the interim recovery, between rate cases, by a gas company of the costs associated with replacing pipeline facilities that are demonstrated to have an elevated risk of failure and the costs associated with measures to reduce hazardous and nonhazardous leaks from the gas company's gas pipelines.
- Requires gas pipeline companies, beginning March 15, 2021, to submit annual reports to the UTC on certain gas pipeline leaks.
- Requires the UTC, beginning March 31, 2021, to provide aggregate data on the volume and causes of gas leaks on its public Internet website.
- Requires the UTC to publish a report that provides information on gas leakage in the state and transmit it to the Department of Ecology (Ecology) by March 31, 2021, and annually thereafter.
- Requires the biennial greenhouse gas report developed by Ecology to include emissions associated with leaked gas identified by the UTC.

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

---

## HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Fitzgibbon, Chair; Lekanoff, Vice Chair; Boehnke, Doglio, Fey, Mead, Robinson and Shewmake.

**Minority Report:** Do not pass. Signed by 3 members: Representatives DeBolt, Ranking Minority Member; Dye, Assistant Ranking Minority Member; Goehner.

**Staff:** Nikkole Hughes (786-7156).

---

## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Environment & Energy. Signed by 20 members: Representatives Ormsby, Chair; Robinson, 1st Vice Chair; Bergquist, 2nd Vice Chair; Chopp, Cody, Dolan, Fitzgibbon, Hansen, Hudgins, Kilduff, Macri, Pettigrew, Pollet, Ryu, Senn, Springer, Steele, Sullivan, Tarleton and Tharinger.

**Minority Report:** Do not pass. Signed by 12 members: Representatives Stokesbary, Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Corry, Dye, Hoff, Kraft, Mosbrucker, Schmick, Sutherland and Ybarra.

**Staff:** Jessica Van Horne (786-7288).

### **Background:**

#### Utilities and Transportation Commission.

The Utilities and Transportation Commission (UTC) regulates the rates, services, and practices of investor-owned utilities and transportation companies, including electrical companies, natural gas companies, and telecommunications companies. The UTC is required to ensure that rates charged by these companies are fair, just, reasonable, and sufficient.

In establishing rates, the UTC has the power to, upon complaint or upon its own motion, determine the fair value of the property of a public service company that is used and useful for service in the state by or during the rate-effective period. The valuation may include consideration of any property of the company acquired or constructed by or during the rate-effective period, including the reasonable costs of construction work in progress, to the extent the UTC finds that such an inclusion is in the public interest and will yield fair, just, reasonable, and sufficient rates.

The UTC may provide changes to rates for up to 48 months after the rate-effective date using any standard, formula, method, or theory of valuation reasonably calculated to arrive at fair, just, reasonable, and sufficient rates. The UTC must establish an appropriate process to identify, review, and approve public service company property that becomes used and useful for service in the state after the rate-effective date.

The UTC is also responsible for developing and enforcing safety standards for natural gas and hazardous liquid pipelines located within the state. The UTC inspects the portions of interstate natural gas and hazardous liquid pipelines located within the state, while the federal Pipeline and Hazardous Materials Safety Administration is responsible for interstate pipeline safety standards and enforcement actions.

#### Natural Gas Conservation Standard.

Each gas company must identify and acquire all conservation measures that are available and cost-effective. Each company must establish an acquisition target every two years and must demonstrate that the target will result in the acquisition of all resources identified as available and cost-effective. The cost-effectiveness analysis must include the societal costs of greenhouse gas (GHG) emissions, which is calculated using the cost per metric ton of carbon dioxide emissions, using the 2.5 percent discount rate, listed in Table 2, Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis under Executive Order 12866, published by the Interagency Working Group on Social Cost of Greenhouse Gases of the United States Government, August 2016. The conservation targets must be based on a conservation-potential assessment prepared by an independent third party and approved by the UTC. Conservation targets must be approved by order of the UTC. The initial conservation target must take effect by 2022.

#### Greenhouse Gas Emissions Reductions Targets.

The state must limit emissions of GHGs to achieve the following emission reductions:

- by 2020, reduce overall emissions of greenhouse gases in the state to 1990 levels;
- by 2035, reduce overall emissions of greenhouse gases in the state to 25 percent below 1990 levels; and
- by 2050, the state will do its part to reach global climate stabilization levels by reducing overall emissions to 50 percent below 1990 levels or 70 percent below the state's expected emissions that year.

The Department of Ecology must develop and submit a biennial report to the Governor and the Legislature on the total emissions of GHGs for the preceding two years and totals in each major source sector.

#### **Summary of Engrossed Second Substitute Bill:**

##### Cost Recovery for Measures to Reduce Hazardous Leaks and Nonhazardous Fugitive Emissions.

The Utilities and Transportation Commission (UTC) must initiate a proceeding to provide conditions concerning the interim recovery between rate cases by a gas company of the costs associated with replacing pipeline facilities that are demonstrated to have an elevated risk of failure and the costs associated with measures to reduce hazardous leaks and nonhazardous fugitive emissions from the gas company's gas pipelines.

A gas company seeking an interim recovery between rate cases may submit to the UTC, as part of a general rate case of a UTC-approved interim rate treatment mechanism regarding the replacement of certain pipeline facilities, a description of equipment and new facilities that aid in the reduction of methane emissions and a list of projects and changes to operational procedures to expedite the replacement of pipeline facilities that present an

elevated risk of failure and expedite the repairs of hazardous and nonhazardous leaks. As part of its filing, the gas company must include a cost-effectiveness analysis and propose a cap for annual expenditures recoverable through a cost recovery mechanism to be approved by the UTC. The cost-effectiveness analysis must include considerations of risk and impacts to the environment and public health. As part of the proposal, the gas company must address the expected impact to ratepayers and other factors that may be required by the UTC by rule.

Nothing in this authorization may be construed to preempt the process by which a gas company is required to petition relevant state or local authorities when seeking to expand the capacity of the company's gas transmission or distribution lines.

Nothing in this authorization may be construed to impose requirements or restrictions on, or otherwise regulate, interstate pipelines.

#### Gas Pipeline Performance Reports.

Beginning March 15, 2021, and on an annual basis thereafter, each gas pipeline company must submit a report to the UTC that includes:

- the total number of known leaks in pipelines owned by the gas pipeline company as of January 1 of the year the report is submitted;
- the total number of hazardous leaks eliminated or repaired during the previous one-year period ending December 31;
- the total number of nonhazardous leaks eliminated or repaired during the previous one-year period ending December 31; and
- an estimate of the total number of leaks scheduled for repair in the next one-year period beginning January 1 of the year the report is submitted.

The data provided in the report does not obligate the gas pipeline company to repair all leaks scheduled for repair, nor does it prevent the gas pipeline company from prioritizing its repair schedule based on new information and newly identified leaks.

The UTC must use the data reported by gas pipeline companies, as well as other data reported by gas pipeline companies to the UTC and to the Department of Ecology (Ecology), to estimate the volume of leaked gas and associated greenhouse gas emissions from operational practices in the state.

By March 31, 2021, and on an annual basis thereafter, the UTC must provide on its public Internet website aggregate data, as submitted by gas pipeline companies, concerning the volume and causes of gas leaks.

By March 31, 2021, and on an annual basis thereafter, the UTC must transmit to the Ecology information on gas leakage in the state, as submitted by gas pipeline companies.

Those portions of reports submitted by gas pipeline companies to the UTC that contain proprietary data, trade secrets, or if disclosure would adversely affect public safety, are exempt from public inspection and copying under the Public Records Act.

#### Greenhouse Gas Emissions Reductions Targets.

The biennial greenhouse gas report developed by Ecology must include emissions associated with leaked gas reported by natural gas companies to the UTC.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony (Environment & Energy):**

(In support) Methane emissions from natural gas pipelines are a more potent greenhouse gas than carbon dioxide. This bill would require leaked natural gas to be included in the Department of Ecology's greenhouse gas inventory. This bill supports job creation by encouraging the repairing of leaks. Fixing fugitive emissions is a cost-effective measure. The nondisclosure provision contained in the bill should be made more narrow, such that it refers to portions of reports with sensitive information.

(Opposed) None.

(Other) Natural gas companies routinely survey their systems for leaks, which get reported to the Utilities and Transportation Commission and to the federal Pipeline and Hazardous Materials Safety Administration. Natural gas companies make it a goal to fix nonhazardous leaks within one year of detection. Companies do not have a way of measuring leakage in terms of cubic feet. The reporting requirements imposed in the bill are onerous and may actually end up costing customers more without adding significant safety or environmental benefits.

**Staff Summary of Public Testimony (Appropriations):**

(In support) Methane and other natural gases are lost throughout the natural gas distribution system due to leaks and weaknesses in the system. Although these gases are not put to productive use, these losses are still considered during the rate setting process. Utilities do a good job of repairing and maintaining natural gas pipelines. However, the public lacks a clear understanding of where leaks are located and how they are managed. This bill would provide information on pipeline leaks to the public.

(Opposed) None.

(Other) Utilities have existing processes for reviewing pipe conditions and repairing leaks quickly. Utilities have concerns around the language around fugitive emissions. Utilities would also like to develop a measurement and reporting system that is consistent with industry practices in order to minimize administrative and technical challenges while still achieving the bill's intent. Utilities appreciate the intent to create a rate recovery mechanism. The Utilities and Transportation Commission (UTC) is the right agency to review the reports and data required from utility companies under the bill. Utilities are sensitive to the UTC's current workload, especially in light of recent policy bills that have

required complex rulemaking and other implementation costs at the agency. Plumbers and pipefitters support the intent of the bill, but have some concerns.

**Persons Testifying** (Environment & Energy): (In support) Representative Shewmake, prime sponsor; Vlad Gutman-Britten, Climate Solutions and Washington State Labor Council; Greg Rock, Carbon Washington; Doug Howell, Sierra Club; and Rowland Thompson, Allied Daily Newspapers of Washington.

(Other) Charlie Brown, Cascade Natural Gas and Northwest Natural Gas; Laura Wilkeson, Puget Sound Energy; John Rothlin, Avista; and Tim Boyd, Alliance of Western Energy Consumers.

**Persons Testifying** (Appropriations): (In support) Vlad Gutman-Britten, Climate Solutions and Washington State Labor Council.

(Other) Laura Wilkeson, Puget Sound Energy; Leanne Guier, Washington State Association of Plumbers and Pipefitters; John Rothlin, Avista Corporation; and Charlie Brown, Cascade Natural Gas and Northwest Natural Gas.

**Persons Signed In To Testify But Not Testifying** (Environment & Energy): None.

**Persons Signed In To Testify But Not Testifying** (Appropriations): None.